REMARKS

1.   Applicant thanks Examiners Morgan and Thomas for their patience and the thoughtful suggestions provided during a telephone interview on September 12, 2006. During said interview, the Examiners expressed their view that there remained obstacles to allowance of the claims, even after the August 21st amendment. The Examiners identified the following issues:

- The 'storing' step in claim 1 is still unclear;
- The "aggregated sequence probability information" from the 'calculating' step in claim 1 is insufficiently explained; and
- The method of calculating the sequence transition probability mentioned in the 'calculating' step of claim 1 is insufficiently explained.

This Supplement incorporates all amendments made in the August 21st amendment and additionally amends the claims as described below. Furthermore, the remarks from the August 21st amendment are hereby incorporated by reference as if fully set forth herein.

2.   THE 'STORING' STEP IN CLAIM 1 IS UNCLEAR.

Claim 1 is amended to describe:

"storing said sequence in a data structure that lists the states in chronological order for each client, said data structure residing either in a system database or in working memory . . . ." Support for the amendment is found in paragraph 56, lines 1-2 of the application-as-filed: "Once the sequences are set up, they are stored in a data structure in system database 500 or in working memory that lists the states in chronological order for each client." It is clear that the data are stored in the data structure and that the data structure can be located either in the system database or in working memory because the original language indicates that the states are stored in chronological order for each client. Data can only be ordered in such fashion by means of a data structure.   As explained in the specification, the data structure can be located either in a system data base or in the working memory of a computer.   Applicant has

examined the other independent claims and finds no other claim that raises this issue. Accordingly this issue is resolved by the foregoing amendment to claim 1.

3. THE "AGGREGATED SEQUENCE PROBABILITY INFORMATION" FROM THE 'CALCULATING' STEP IN CLAIM 1 IS INSUFFICIENTLY EXPLAINED.

Claim 1 has been further amended to eliminate the language "and based on aggregated sequence probability information from previously processed individual sequence probabilities" from the 'calculating' step. Aggregated sequence probability information is only relevant in a case where an entity is being profiled such as a patient or a provider. In claim 1, what is being described is a method of identifying potentially fraudulent claims, wherein the rareness of the particular sequence is an index of the likelihood that the sequence is fraudulent. Because claim 1 deals only with the sequence and is not profiling the entity there is no need of aggregated sequence probability information.

Applicant has examined the other independent claims, finding that claim 1 is the only claim that raises this issue. Therefore the present issue is resolved by the foregoing amendment to claim 1.

4. THE METHOD OF CALCULATING THE SEQUENCE TRANSITION PROBABILITY MENTIONED IN THE 'CALCULATING' STEP OF CLAIM 1 IS INSUFFICIENTLY EXPLAINED.

Claim 1 is further amended to describe:

"calculating a transition probability of the sequence of healthcare states based on probabilities of individual transitions between healthcare states as contained in said model, wherein said transition probability of the sequence is the geometric mean of the transition probabilities between each state and the next state in the sequence." Support for the amendment is found in claim 5 and additionally in the application-as-filed at paragraph 72, lines 1-2: "The overall sequence probability can be developed along the multiplicative approach by simply using the geometric mean of all the probabilities."

Applicant has examined the remaining independent claims and found that claims 3, 9 and 15 raise the same issue and have therefore been amended in the same manner as

claim 1. Accordingly, the foregoing amendments to claims 1, 3, 9 and 15 have resolved the present issue.

Claim 5 has been amended to eliminate the subject matter in question.

5.   Applicant's position is that, prior to the present amendments, the claims already described subject matter that was both novel and non-obvious over the cited references, as extensively discussed in the August 21st amendment. The present amendments are made for the sole purpose of addressing the Examiners' concerns regarding clarity of the claims. The present amendments do not indicate any intention by Applicant to sacrifice claim scope. Applicant expressly reserves the right to pursue patent protection of a scope it reasonably believes it is entitled to in one or more continuing applications.

CONCLUSION

Based on the foregoing, the Application is deemed to be in condition for allowance. Applicant therefore requests reconsideration and prompt allowance of the claims. Should the Examiner have any questions regarding the Application, he is invited to contact Applicant's attorney at 650-474-8400.

Respectfully submitted,

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